

PUBLIC DISCLOSURE

December 8, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BILLERICA MUNICIPAL EMPLOYEES CREDIT UNION

**365 BOSTON ROAD
BILLERICA, MA 01821**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Division of Banks (or the "Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income individuals, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Billerica Municipal Employees Credit Union (or the "Credit Union")** prepared by the Division, the institution's supervisory agency, as of **December 8, 2009**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The assessment of Billerica Municipal Employees Credit Union's record takes into account its financial capacity and size; legal impediments; local economic conditions; and demographics, including the competitive environment in which it operates.

As the Credit Union has defined its membership as its assessment area as opposed to a geographic area, an evaluation of credit extended within defined geographic areas was not conducted, as such an analysis would not be meaningful. Therefore, this evaluation was based upon an analysis of the Credit Union's lending volume; lending performance in providing loans to individuals of various incomes, including low to moderate-income members; and the Credit Union's fair lending performance.

The Credit Union's average net loan-to-share ratio for the period was calculated at 43.7 percent and meets the standards for satisfactory performance at this time.

An analysis of the Credit Union's lending activity by borrower income revealed that the Credit Union's distribution of consumer loans to borrowers of different income levels is reasonable and is representative of the membership.

The Credit Union's fair lending performance is also considered to meet the standards of satisfactory performance.

PERFORMANCE CONTEXT

Description of Institution

Billerica Municipal Employees Credit Union was chartered by the Commonwealth of Massachusetts in October 1971. The Credit Union's membership is comprised of all municipal employees and retirees of the Town of Billerica and their families. Current membership is 1,361. The Credit Union operates from one location at Billerica's Town Hall, which is located at 365 Boston Road in Billerica, with office hours Monday through Friday 9:00am to 4:00pm.

The Credit Union offers low cost checking and savings products, personal and auto loans, and receives direct deposits from its members. The Credit Union also offers special seasonal rates on personal loans. The Credit Union distributes a quarterly newsletter called the "Quarterly Byline", and maintains a website, www.billericamecu.com, which informs members of rates and privacy updates. The website also offers access to online banking.

According to the Credit Union's June 30, 2009 National Credit Union Administration ("NCUA") Call Report of Condition, the Credit Union's assets total \$12,529,378. Total loans as of this date were \$3,374,170, or 26.9 percent, of total assets. The Credit Union's primary loan base is comprised of new vehicle loans, representing approximately 31.8 percent of the Credit Union's loan portfolio. The next largest segment is first mortgage real-estate loans, at 25.4 percent, followed by used vehicle loans, at 24.7 percent. The following table depicts the Credit Union's loan portfolio composition.

Loan Portfolio Distribution as of December 31, 2008		
Loan Type	Dollar Amount (\$)	Percentage of Total Loans (% of \$)
New Vehicle Loans	1,071,760	31.8
Total First Mortgage Real Estate Loans/Lines of Credit	858,210	25.4
Used Vehicle Loans	832,900	24.7
All Other Unsecured Loans/Lines of Credit	482,776	14.3
Total All Other Loans/Lines of Credit	128,524	3.8
Total Gross Loans	3,374,170	100.0

Source: NCUA CALL Report of Condition

While the Credit Union has residential loans in its portfolio, it has not originated a residential loan since 2005. Instead, the Credit Union refers consumers looking for a residential loan to Allanach Mortgage Group.

Other than its small asset size and limited resources, there appear to be no significant financial or legal impediments which would limit the Credit Union's ability to help meet the credit needs of its membership.

The Division last examined the Credit Union for compliance with CRA on June 15, 2005. That examination resulted in a CRA rating of "Satisfactory."

Parity Powers

On June 24, 2002, the Credit Union received approval from the Division to engage in certain activities pursuant to Massachusetts General Laws chapter 171, section 6A and authorized under the "Parity with Federal Credit Unions" regulations 209 CMR 50.00. These powers include:

- Personal, unsecured loans up to \$20,000 for a term up to 7 years pursuant to 209 CMR 50.06(3)(e); and
- Automobile loan financing up to 100% of the value of the collateral up to \$60,000 for a term up to 7 years pursuant to 209 CMR 50.06(3)(f)

Description of Assessment Area

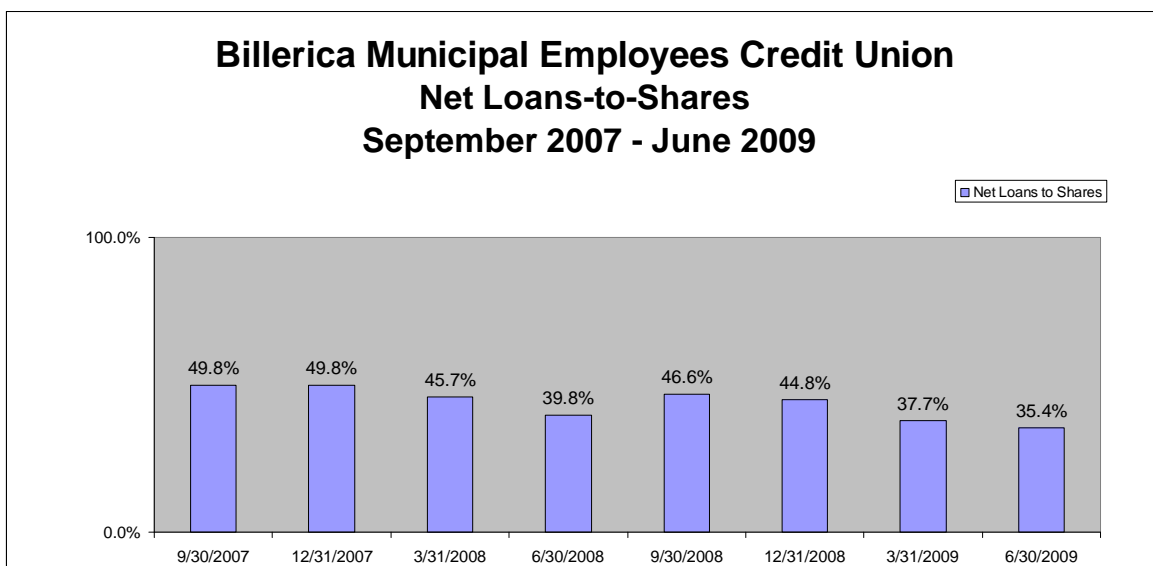
According to CRA regulations, an institution shall delineate one or more assessment areas within which the institution will serve to meet the credit needs of its community and by which the Division will evaluate the institution's CRA performance. A credit union whose membership by-laws provisions are not based on residence is permitted to delineate its membership as its assessment area. The Credit Union's membership is limited to employees and retirees of the Town of Billerica and their family members. It has defined its assessment area accordingly.

PERFORMANCE CRITERIA

LOAN TO SHARE ANALYSIS

This criterion determines the percentage of the Credit Union's share base reinvested in the form of loans and evaluates its appropriateness. A comparative analysis of the Credit Union's quarterly net loan-to-share ratios, for the period of September 30, 2007 through June 30, 2009, was conducted during this examination. Using the Credit Union's quarterly NCUA Call Reports, the average net loan-to-share ratio for this period was 43.7 percent. This ratio is based on loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total shares.

As shown in the graph below, the Credit Union's loan-to-share ratio has fluctuated from a high of 49.8 percent in September and December 2007 to a low of 35.4 percent in June 2009. Net loans have decreased 13.6 percent, and shares have increased 21.5 percent during this period.



The Credit Union's net loan-to-share ratio as of June 30, 2009, was compared to three comparable credit unions of similar asset size to evaluate the appropriateness of the Credit Union's loan-to-share ratio. The following table provides net loan-to-share ratios; the ratios shown are calculated from NCUA Call report figures as of June 30, 2009.

COMPARATIVE LOAN TO SHARE RATIOS		
Credit Union	Asset Size	LTS (%)
Haverhill Fire Department	\$16,085,890	83.9
Worcester Postal	\$9,919,570	79.5
Watertown Municipal	\$11,666,098	47.9
Billerica Municipal Employees	\$12,529,378	35.4

As displayed in the table above, the Credit Union's loan-to-share ratio was lower than the three similarly situated institutions. The low loan-to-share ratio can be partly attributed to the demographics of the Credit Union's borrowers, the Town of Billerica Employees, and the types of loan products offered. Given the Credit Union's size, financial condition, credit needs and the decreasing trend in the loan-to-share ratios, the loan-to-share ratio appears adequate. Historically, the Credit Union has maintained a low loan-to-share ratio. Therefore, the Credit Union meets the standards for satisfactory performance for this category.

DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

A sample of the Credit Union's consumer loans for calendar years 2007 and 2008 were analyzed in order to determine the distribution of credit based upon the income level of the borrowers. The Credit Union has not originated a residential loan since 2005; therefore, none were reviewed. The consumer loan sample consisted of new and used vehicle loans and unsecured consumer loans. The borrower income analysis was based on the median family incomes for the Cambridge-Newton-Framingham MD and the Peabody MD, both of which fall under the Boston-Cambridge-Quincy MSA. For 2007, the median family income was estimated to be \$88,900 and \$77,200 for Cambridge-Newton-Framingham MD and Peabody MD, respectively. In 2008, the Cambridge-Quincy-Newton MD median family income was estimated to be \$93,000 and the Peabody MD was \$78,800.

The four income categories that define the income level of borrowers include low-, moderate-, middle- and upper-income. The analysis of borrower income level was identified as the ratio of borrower income to the Median Family Income for the Metropolitan Statistical Area ("MSA") or Metropolitan Division ("MD").

As defined by the U.S. Department of Housing and Urban Development (HUD), low-income is defined as income level or area that earns less than 50 percent of the MSA's median family income. Moderate-income is defined as income level or area that earns 50 percent to less than 80 percent of the MSA's median family income. Middle-income is defined as income level or area that earns 80 percent to less than 120 percent of the MSA's median family income, while Upper-income is defined as income level that is equal to or greater than 120 percent of the MSA's median family income.

Consumer Lending

A review of 50 consumer loan files from 2007 and 2008 was conducted to determine the income level of the borrowers. The sample included 25 loan originations from 2007 and an additional 25 loans from 2008.

During the two years under review, the sample indicated the Credit Union's consumer loan originations were distributed among low-, moderate-, middle-, and upper-income members. Of the 50 loans sampled, 29 loans representing 58.0% were granted to low- and moderate-income members, 14 loans or 28.0 percent were originated to middle-income members and 7 loans or 14.0 percent were originated to upper-income members. See table below for further details.

<i>Consumer Loans Originated by Income of Borrower by Numbers</i>						
<i>Median Family Income Level</i>	<i>2007</i>		<i>2008</i>		<i>Total</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>Low</i>	4	16.0	6	24.0	10	20.0
<i>Moderate</i>	8	32.0	11	44.0	19	38.0
<i>Middle</i>	9	36.0	5	20.0	14	28.0
<i>Upper</i>	4	16.0	3	12.0	7	14.0
<i>Total</i>	<i>25</i>	<i>100.0</i>	<i>25</i>	<i>100.0</i>	<i>50</i>	<i>100.0</i>

Consumer Lending (Continued)

The above analysis is based upon the median family income levels of the MSA which may not correlate to the individual income levels of the Credit Union's members. Most loans were granted to individuals, with the majority of the upper income bracket consisting of joint applicants. Based upon the analysis of consumer loans, the Credit Union demonstrates a satisfactory level of performance in providing loans to borrowers of different incomes.

REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the Credit Union's performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

Review of Complaints

The Credit Union received no complaints pertaining to its CRA performance since the previous examination.

Fair Lending Policies and Practices

Based upon the review of the Credit Union's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

The Credit Union provides brochures in its main office and also produces a quarterly newsletter and website in order to inform members of products and services offered. The Credit Union maintains an adequate fair lending policy followed by all staff. The institution has developed a second review process in which all loans considered for denial are reviewed by the Credit Committee prior to issuing a written notice of denial.

The criteria for the various types of credit offered was reviewed during the examination, as well as the procedures for completing a loan application, and no practices intended to discourage applications were found. Based on the foregoing information, the Credit Union meets the standards for satisfactory performance in this category.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 365 Boston Road, Billerica, Massachusetts 01821."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.